

BEFORE THE
UNITED STATES TRADE REPRESENTATIVE

STEEL

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Business confidential information has been
deleted from pages 5-6 and Exhibit 1.

ADJUSTMENT PLAN: COLD FINISHED STEEL BAR

On Behalf Of

The Cold Finished Trade Coalition
and
Minimill 201 Coalition (Long Products)

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I. EXECUTIVE SUMMARY

The U.S. cold finished steel bar (“CFSB”) industry has already expended substantial time and resources to improve its competitiveness.¹ As a result, U.S. producers of CFSB have been trying as hard as they can to compete. However, imports have undercut these efforts, leaving domestic producers seriously injured and threatened with further serious injury as imports continue unabated into the U.S. market.

The granting of import relief will remedy the serious injury and threat suffered by the U.S. CFSB industry and will provide domestic producers with a period of more predictable and healthy market conditions over the next several years. U.S. producers will be able to regain market share and to make a profit on their sales instead of continuing to experience the losses they are now enduring. During the period of temporary import relief, the industry will make further investments to improve its competitive position, and will work to ensure that the plans that have been put on hold are completed. These adjustments are necessary to ensure that the industry achieves world class competitiveness and is properly positioned to thrive after a period of temporary import relief.

It is important to recognize that the domestic industry’s adjustment will entail a multi-year period, given the nature of the industry. Lead times on new investments are lengthy. Such investments typically involve board approval and an extended environmental permitting procedure. The actual construction process can also take years,

¹ See Staff Report, Commission Inv. No. TA-201-73, Steel (September 4, 2001) at Table LONG-98.

depending on the complexity of the project. And product quality improvements also take time, as companies experiment with adjustments. For these reasons, we seek at least a four-year remedy period, which will allow for a more stable period of profitability during which new capital investments would be possible.

Although domestic CFSB producers intend to make different types of competitive adjustments if relief is granted, most of these adjustments fall into three general categories:

Investment in facilities and equipment. Temporary import relief will promote an environment in which further investment could be made to meet customer demands. These investments will permit domestic producers to replace aged equipment, enhance productivity and efficiency, and improve product quality according to previous plans. Improved cost efficiency is absolutely essential to the survival of this industry over the longer term. The industry must assure world-class competitiveness.

New product lines. Many domestic producers have been unable to experiment with new grades and types of CFSB that are tailored to specific customer needs. In some cases, purchasers have been unwilling to qualify domestic suppliers due to the ready availability of low-priced imports. In others, producers have been unable to conduct the necessary product testing and development activities that would allow them to produce particular products on a commercial scale. Temporary import relief, if sufficient, would allow CFSB producers to begin manufacturing these specifically-targeted types of CFSB, thus enabling them to meet the needs of some customers that they are not now serving.

Making recent investments profitable. Some CFSB producers have made limited capital expenditures in an effort to remain competitive, but they have seen the profitability of these investments undercut by low-priced imports. In several cases, new facilities or equipment have not been operating anywhere near full capacity because low-priced imports have driven prices below operating costs. Temporary import relief would help these companies regain profitability by bringing their new facilities to efficient production levels, consistent with planned operation. In other words, investments that never reached their potential due to the presence of low-priced imports, would be able, through temporary import relief, to more fully realize the competitive advantages of their prior improvements.

Consistent with these general themes, the Cold Finished Trade Coalition and the Minimill 201 Coalition (Long Products) describe in the following pages some of the specific adjustment actions that are planned. In light of the proprietary nature of some of these plans and the restrictions placed on the disclosure of that information by the U.S. International Trade Commission in the pending Section 201 investigation, it is not possible to describe the planned adjustments of all members of the industry. Nonetheless, the following description provides an accurate and representative picture of the domestic industry's intended response to relief. We are confident that at the end of any adjustment period, the domestic industry will be well equipped to compete effectively in the global marketplace.

II. ADJUSTMENT PLANS OF U.S. COLD FINISHED STEEL BAR PRODUCERS

U.S. CFSB producers have specific plans to adjust to import competition.

Producers started to act on these plans and incurred significant costs, but almost all such adjustment plans have been halted due to inadequate returns from a surge in imports. The significant expenditures made since 1996 were aimed at greater flexibility, increased business efficiency, and reduced future costs. But some of these efforts were not completed, and those that were completed were insufficient to enable the CFSB industry to compete with the unforeseen surge of imports of CFSB dumped on the U.S. market. Future expenditures in a stable market are necessary for the industry to fully adjust to import competition. Temporary restrictions on imports will provide a respite from repeated import surges and allow for substantial capital investments and adequate returns so that the domestic industry can effectively compete with imports on a continuing basis.

CFSB producers' adjustment plans include the expenditure of significant capital in a variety of areas, including equipment, training, and warehouse improvements. In addition to capital expenditures, the industry has plans to improve product quality, develop new product lines, improve customer service, and decrease energy costs. These plans are described throughout the U.S. producers' questionnaire responses to the International Trade Commission, and in the prehearing briefs to the Commission of the Cold Finished Trade Coalition and the Minimill 201 Coalition (Long Products).

[

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[] as part of its plan to compete with CFSB imports. [] are part of a larger effort, which has already resulted in []. Although [] has planned additional significant efforts, including [], these plans have been put on hold due to the surge in imports that has resulted in depressed prices. [

] adjustment plan is more specifically set forth in Exhibit 1.

Likewise, [] in an effort to compete effectively. If granted import relief for the next four to eight years, [

].³

[

]. These plans [] would increase productivity and quality, as well as reduce future costs. Without stabilized

² [] ITC Producers' QR at Part II, Supplemental Page 1-2.

³ [] ITC Producers' QR at Part II, Supplemental Page 16.

pricing, however, the return on these investments are not sufficient for [] to continue with these expenditures in the current market.⁴

Finally, [] if the industry is granted temporary relief from imports.⁵ According to [], these significant plans for investment in the domestic industry should allow for effective competition with imports of CFSB after the period of relief.

III. CONCLUSION

As described above, the domestic CFSB industry can regain its profitability and further improve its competitiveness with imports, provided there is temporary relief from the increase in imports that has driven market prices to unprofitable levels. The industry's three major goals complement this objective. For companies that have deferred or postponed capital investments, temporary relief will provide a window of opportunity for badly needed upgrades. For companies that have already made substantial investments, import relief will allow these firms to regain profitability and to increase production to planned, cost-efficient levels. Finally, many companies will seek to begin trial production or qualification in particular new product segments, or to move from the trial and qualification process to full production of commercial quantities.

⁴ [] ITC Producers' QR at Page 24 (Question 3).

⁵ [] ITC Producers' QR at Supp. Page 20 (Adjustment Plan).

Without import relief, the industry (and its many new capital investments) will remain unprofitable, and new product development efforts will stagnate. After prolonged and increasing losses, these companies no longer have the resources to operate beyond mere survival mode, at best. With a multi-year period of import relief, however, the industry can implement necessary adjustments and succeed in the global marketplace after such relief expires.

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